COMPANY ANNOUNCEMENT

The following is a company announcement issued by Pendergardens Developments plc ("the Company") pursuant to the Capital Markets rules as issued by the Malta Financial Services Authority.

Quote

Annual Financial Report 2021

The Company's Board of Directors have today the 22nd April 2022 approved the Annual Financial Report for the financial year ended 31 December 2021.

A full copy of the Annual Financial Report is available on http://pendergardens.com/investors/financial-reports/ Attached to this Company Announcement is a Directors' Declaration on ESEF Annual Financial Reports.

Unquote

Dr. Massimo Vella
Company Secretary

22nd April 2022

Pendergardens
everything surrounds you

CERTIFICATION STATEMENT

ON THE ESEF ANNUAL FINANCIAL REPORT

We, today the 22 April 2022, Edmund Gatt Baldacchino and Edward Licari, in our capacity as Directors of Pendergardens Developments plc, Reg. No. C 58098 and Massimo Vella, in my capacity of the Company Secretary of the Board, hereby certify:

i. That the Board of Directors has authorised for issue the Annual Financial Report ("AFR") for the year ended 31 December 2021, that has been prepared in accordance with the terms of the applicable rules and regulations, including the Commission Delegated Regulation on the European Single Electronic Format ("ESEF")[6] and the Capital Markets Rules[7] , which AFR is integrated into the electronic file(s) 14+jynscVWkKdOE=, endorsed by the Document ID: SH6IYYj2Ki6Cxmc= for subsequent approval by the auditor.

ii. That the AFR referred to above does not include handwritten signatures or electronic signatures due to technical restrictions/difficulties arising from the aforementioned electronic format.

iii. That the AFR referred to above shall serve as the official document for the purposes of the Capital Markets Rules and, where the Issuer is registered in Malta, the Companies Act (Chapter 386 of the Laws of Malta).

Edmund Gatt Baldacchino
Chairman

Edward Licari
Deputy Chairman

Dr. Massimo Vella
Company Secretary

[5] Commission Delegated Regulation 2019/815 on the European Single Electronic Format, as may be further amend from time to time.
[7] Capital Market Rules as issued by the Malta Financial Services Authority (MFSA)
For the purpose of this document, 'practitioner' and 'auditor', 'mark-ups' and 'tagging' are used interchangeably.

PENDERGARDENS DEVELOPMENTS P.L.C.

Annual Financial Report and Financial Statements
31 December 2021

Company Registration Number: C 58098

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2021.

Principal activities

The Company's principal activities are to acquire, develop and dispose of the immovable property or rights over such immovable property consisting of land and buildings known as 'Block 16', 'Block17', and 'Pendergardens Tower' at Pendergardens in St. Julians, Malta. The Company also operates a public car park and leases commercial spaces, as well as office space in the Pendergardens Business Centre.

Review of the business

Works on Block 16 were completed in 2015. All properties within this Block had been sold by the end of 2019.

Block 17 was completed in 2018. The last three apartments in this Block were sold by the end of 2020.

Pendergardens Tower was completed in May 2020. The Tower is a mixed-use development with the first seven floors intended for business use, and the overlying floors consisting of residential properties. Of the 30 residences available, 18 units and a penthouse were already sold by 31 December 2020. During 2021 a further 10 properties and 38 car spaces were sold, contributing a total of €9.5 million in sales revenues. At 31 December 2021, the remaining penthouse was subject to a preliminary agreement.

Retail and office spaces of Block 16, Block 17 and Pendergardens Business Centre are available on the market for sale or lease. As of 31 December 2021, the Company has concluded nine lease agreements. Five agreements are for commercial units, four within Block 16 and one within Pendergardens Business Centre. The other agreements are in respect of the 7 floors available within Pendergardens Business Centre. As a result, all office space within the Tower had been leased by the end of 2021. The Company is confident that the few remaining commercial spaces shall be leased during 2022.

The Pendergardens public car park posted stronger results in 2021, even though COVID-19 restrictions were in place, and the preference for remote working continued beyond the duration of the partial lockdown. Turnover exceeded €0.25 million for the first time since the opening of the public car park, representing a 33% increase in revenues compared to 2020. The improved occupancy levels are being sustained in 2022.

During the year ended 31 December 2021, the Company generated a profit before tax of €1,652,509 (2020: €1,276,127). After accounting for taxation, the Company generated a profit for the year of €1,176,829 (2020: €1,148,038).

Revenue of €9,945,627 (2020: €11,305,536) was generated from the sale of 10 apartments in Pendergardens Tower, 6 car spaces in the residential car park and 32 spaces adjacent to the public car park. The corresponding cost of sales amounted to €7,770,600 (2020: €7,815,691).

Selling expenses of €235,856 (2020: €478,109) relate to estate agents' commissions paid upon the sale of the apartments and car spaces. Administrative expenses include salary costs recharged by the parent company of €374,333 (2020: €413,599). Administrative expenses are further analysed in Note 15 to the financial statements.

Finance costs mainly consist of bond interest payable of €1,426,173 (2020: €1,979,348). In prior years, a portion of the interest was capitalised as part of the property cost while construction was still underway. This was discontinued with effect from 1 January 2020 as the Tower Residences were already substantially complete by 31 December 2019.

Directors' report - continued

Financial Performance

In 2017 the cost of commercial property included within Block 16 was transferred from Inventory - Development Project to Investment Property. Furthermore, in 2018 all the remaining commercial property including that of Block 17 and Pendergardens Towers, was transferred from Inventory - Development Project to Investment Property (Notes 4 and 6). The entire commercial property classified as Investment Property is valued on an annual basis by management using value in use calculations. Discounted cash flows of contractual rental streams, discounting factors and capitalisation rates used in management's calculations are reviewed and approved by the Board. In line with the company's accounting policy to obtain an independent valuation every three years, during 2021 an independent architect was engaged to prepare an assessment of the value of the investment property as at 31 December 2021. Values determined through the independent valuation are largely in line with the carrying values in the financial statements.

The performance of the Company is consistent with expectations, and the Directors, basing their assessments on the latest budgets and projections, expect the Company to continue to be profitable in the foreseeable future.

Financial Position

Total assets as of 31 December 2021 amounted to €59,461,094 (2020: €60,578,027), a decrease of €1,116,933 over the preceding year. This movement is explained as follows:

- The net increase in the reserve account linked to the bond repayment resulting in a balance of €11,782,142 at 31 December 2021 (2020: €4,992,185);
- The decrease in the value of inventory to €1,751,750 (2020: €7,396,525), reflecting the sharp reduction in the units held for resale;
- The decrease in the balance of trade and other payables to €5,312,747 (2020: €7,068,666) as a consequence of lower accruals and deferred income.

At 31 December 2021 the Revaluation Reserve of €16,160,981 was unchanged from the previous year-end. The balance represents the difference between the historical cost and the fair value of the investment property, net of deferred tax. Deferred tax liabilities of €940,000 (2020: €940,000) represent temporary differences on fair valuation of investment property and impairment of property, plant and equipment.

The Borrowings of €21,093,400 (2020: €21,885,300) relate entirely to the outstanding amount on the Series II €27 million 6% Secured Bonds 2022 since the Series I €15 million 5.5% Secured Bonds 2020 were redeemed on 31 May 2020. During the year under review, the Company repurchased and subsequently cancelled €791,900 of the outstanding 6% Secured Bonds 2022 (Note 11). The total value of cancelled 6% Secured Bonds at 31 December 2021 amounted to €5,906,600.

Current liabilities of €26,332,031 (2020: €7,068,666) mainly comprise of borrowings, deposits on promise of sale agreements and accruals in relation to finishing works on Pendergardens Tower as detailed in Note 12 to the financial statements.

Directors' report - continued

Principal risks and uncertainties

The company is subject to the general market and economic risks that may have a significant impact on the development project, its timely completion and budgetary constraints. These include factors such as the state of the local property market, inflation and fluctuations in interest rates, property prices and other economic and social factors affecting demand for real estate in general.

A detailed review of the risk management policies employed by the company is included in Note 2 to the financial statements.

Financial risk management

The company's activities expose it to a variety of financial risks, including market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Refer to Note 2 in the financial statements.

Results and dividends

The statement of comprehensive income is set out on page 13. The directors do not recommend the payment of a dividend. The directors have proposed that the balance of retained earnings amounting to €5,428,082 (2020: €4,251,253) for the company be carried forward to the next financial year.

Directors

The directors of the company who held office during the year were:

Mr. Edmund Gatt Baldacchino - Chairman
Mr. Edward Licari - Deputy Chairman
Mr. John Attard
Mr. Philip Farrugia
Mr. Joseph F. X. Zahra

The company's Articles of Association do not require any directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements, which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining an internal control system as is deemed necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Pendergardens Developments p.l.c. for the year ended 31 December 2021 are included in the Annual Financial Report 2021, which is available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Financial Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Going concern statement pursuant to Capital Markets Rule 5.62

The Directors have a reasonable expectation, at the time of approving the financial statements, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General meeting.

Directors' report - continued

Disclosures in terms of the Capital Markets Rules

Pursuant to Capital Markets Rule 5.64

Share capital structure

The company's authorised share capital amounts to €9,100,000 Ordinary shares of €1 each and its issued share capital amounts to €9,079,000 Ordinary shares of €1 each. The share capital consists of one class of ordinary shares with equal voting rights attached. No restrictions apply to the transfer of shares.

Shareholders holding at least 20% of the issued share capital having voting rights or a number of shareholders who between them hold not less than 20% of the issued share capital of the company having voting rights, shall be entitled to appoint one director for every 20% holding. Other limitations of the voting rights of holders are contained in the company's Articles of Association, Clause 55.

Holding in Excess of 5% of the Share Capital

On the basis of the information available to the company as at 31 December 2021, Pender Ville Limited and Pender Contracting Limited held 9,074,959 and 4,041 shares, respectively, equivalent to 99.96% and 0.04% of the Company's issued share capital.

Appointment and Replacement of Directors

Board members are appointed for one year and are eligible for re-appointment at the Annual General Meeting.

Board Member Powers

The powers of the Board members are contained in Article 66 of the company's Articles of Association.

The Articles of Association grant the company the power to buy back its own shares in terms of the Maltese Companies Act (Cap. 386).

Contracts with Board Members and Employees

The company has no contract with any of its Board members that includes a severance payment clause. The company had no employees during the year ended 31 December 2021.

No disclosures are being made pursuant to Capital Markets Rules 5.64.4, 5.64.5, 5.64.6, 5.64.7 and 5.64.10 as these are not applicable to the company.

Directors' report - continued

Disclosures in terms of the Capital Markets Rules - continued

Pursuant to Capital Markets Rule 5.68

Statement by the Directors on the Financial Statements and Other Information included in the Annual Financial Report

The directors declare that to the best of their knowledge, the financial statements included in the Annual Financial Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors on 22 April 2022 by Mr. Edmund Gatt Baldacchino (Chairman of the Board) and Mr. Edward Licari (Deputy Chairman) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Registered office:
Pendergardens Business Centre,
14 Level 1,
Pendergardens,
St. Andrews Road,
St. Julians
Malta

22 April 2022

Corporate Governance - Statement of Compliance

A. Introduction

The Capital Markets Rules issued by the Malta Financial Services Authority, require listed companies to observe The Code of Principles of Good Corporate Governance (the “Code”). Although the adoption of the Code is not obligatory, Listed Companies are required to include, in their Annual Financial Report, a Directors’ Statement of Compliance which deals with the extent to which the Company has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Company has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

B. Compliance

The Board of Directors (the “Board”) of Pendergardens Developments p.l.c. (the “Company”) believe in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that as at 31 December 2021, the Company had listed bonds in issue. Furthermore, the Company has no employees. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Principle 1: The Board

The Board of Directors is entrusted with the Company’s day-to-day management and is responsible for the execution of the Company’s investments and the funding thereof, and the awarding of project contracts for the development of the Company’s properties. It is also responsible for reviewing internal control procedures, financial performance and business risks facing the Company. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that its operations are in conformity with the Prospectus and all relevant rules and regulations.

Throughout the year under review, the Board regularly monitored performance on the project. The Company has in place systems whereby the directors obtain timely information from the Chief Operating Officer of the Pender Group, not only at meetings of the Board but at regular intervals or when the need arises.

Principle 2: Chairman and Chief Operating Officer

The functions of the Chairman and Chief Operating Officer are vested in separate individuals as recommended by the Code. The Chairman’s main function is to lead the board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

The Chief Operating Officer has specific authorities from the Board to manage the Company’s operational activities within the strategy and parameters set by it.

Principle 3: Composition of the Board

The Board is composed of three non-executive directors and two independent non-executive directors, as listed below.

Non-executive Directors

Mr. Edmund Gatt Baldacchino - Chairman
Mr. Edward Licari - Deputy chairman
Mr. John Attard

Corporate Governance - Statement of Compliance - continued

B. Compliance - continued

Principle 3: Composition of the Board - continued

Independent, non-executive Directors

Mr. Philip Farrugia
Mr. Joseph F. X. Zahra

Edmund Gatt Baldacchino, Edward Licari and John Attard hold similar non-executive positions with other companies of the Pender Group of which the Company forms part. For the purpose of the provisions of the Code, the Board considers Philip Farrugia and Joseph F.X. Zahra as independent.

Directors are appointed during the Company's Annual General Meeting for periods of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

Principle 4 and 5: The responsibilities of the Board and Board meetings

The Board is responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the Company is delegated to the Chief Operating Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Company to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

The Board appointed an independent internal auditor who attends Audit Committee meetings.

The Internal Auditor's role is to assess the effectiveness of implemented internal controls and to provide to the Company's Board of Directors through the Audit Committee with an opinion on the effectiveness of the internal control and risk management framework within the Company.

The Board believes that it has systems in place to fully comply with the principles of the Code. Directors meet regularly, mainly to review the financial performance of the Company and to review internal control processes. Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting Board papers, which are circulated well in advance of the meeting. All the directors have access to independent professional advice at the Company's expense should they so require.

By virtue of the Memorandum and Articles of Association, the Directors are obliged to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with that of the Company. The Board member concerned shall not take part in the assessment by the Board as to whether a conflict of interest exists. A Director shall not vote in respect of any contract, arrangement, transaction or proposal in which he has a material interest.

Corporate Governance - Statement of Compliance - continued

B. Compliance - continued

Principles 4 and 5: The responsibilities of the Board and Board meetings - continued

The Board met formally 9 times during the period under review. The number of board meetings attended by directors for the year ended 31 December 2021 is as follows:

Members	**Attended**
Edmund Gatt Baldacchino	9
Edward Licari	9
John Attard	9
Philip Farrugia	9
Joseph F. X. Zahra	9

Principles 6 and 7: Evaluation of the Board's performance

The directors believe that, due to the Company's size and operation, the remuneration, evaluation and nominations committees that are suggested in the Code are not required, and that the function of these can efficiently be undertaken by the board itself. However, the Board on an annual basis undertakes a review of the remuneration paid to the directors and carries out an evaluation of their performance and of the audit committee. The shareholders approve the remuneration paid to the directors at the annual general meeting.

Principle 8: Committees

Audit Committee

The Board established an Audit Committee (the "Committee") and has formally set out Terms of Reference as outlined in the Principles laid out in the Capital Markets Rules. The purpose of the Committee is to protect the interest of the Company's share and bondholders and assist the directors in conducting their role effectively. The Audit Committee also monitors the financial reporting process, the effectiveness of internal control, the audit of the annual financial statements and preserving the Company's assets by understanding the Company's risk environment and determining how to deal with those risks. Additionally, it is responsible for monitoring that budgets are achieved and if not corrective action is taken as necessary. It also has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

The Members of the Audit Committee

All Directors of the Issuer sitting on the Audit Committee are of a non-executive capacity. Philip Farrugia acts as chairman, whilst Joseph F.X. Zahra and Edmund Gatt Baldacchino act as members. In compliance with the Capital Markets Rules, Philip Farrugia is the independent Non-Executive Director who is competent in accounting and/or auditing matters.

Philip Farrugia held senior management positions at HSBC Bank Malta p.l.c. including that of director of HSBC Home Loans (Malta) Ltd between 2000 and 2003 and executive director and chief technology and services officer of HSBC Bank Malta p.l.c. until his retirement in May 2012. During his employment with HSBC Bank Malta p.l.c. he sat on various senior bank committees.

The Committee met 9 times during the year to 31 December 2021.

Corporate Governance - Statement of Compliance - continued

B. Compliance - continued

Principle 8: Committees - continued

Nomination Committee

The Company has opted not to set up a Nomination Committee. The Board of Directors deems that the setting up of such Committee is not necessary within the context of the size, nature and operations of the Company.

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in General Meeting who determine the maximum annual aggregate remuneration of the directors. The aggregate amount approved for this purpose during the Annual General Meeting was €52,000 per annum.

None of the directors is employed or has a service contract with the Company.

No part of the remuneration paid to the directors is performance based, and the Chief Operating Officer of the Pender Group receives no additional remuneration. None of the directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits.

The directors received €52,000 (2020: €52,000) in aggregate for services rendered during the year ended 31 December 2021.

Principles 9 and 10: Relations with bondholders and the market

The Company prepares annual financial statements. Following the listing of the Company's financial instruments during 2014, the Company publishes its financial statements and when required will also publish Company announcements. The Board feels these provide the market with adequate information about its activities.

Principle 11: Conflicts of Interest

On joining the Board and regularly thereafter, directors and officers of the Company are informed and reminded of their obligations on dealing in securities of the Company within the parameters of law and Capital Markets Rules. The Company has also set reporting procedures in line with the Capital Markets Rules, Code of Principles, and internal code of dealing.

Principle 12: Corporate Social Responsibility

The Directors also seek to adhere to accepted principles of corporate social responsibility in their management practices of the company in relation to the Company's workforce, the country's cultural and historical heritage, the environment and the local community. During 2021, the Company has continued to support several voluntary organisations through donations with the aim of improving the quality of life of the local community and society at large.

Signed on behalf of the Board of Directors on 22 April 2022 by Mr. Philip Farrugia (Director and Chairman of the Audit Committee) and Mr. Edmund Gatt Baldacchino (Chairman of the Board) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of financial position

	Notes	As at 31 December 2021 €	2020 €
ASSETS			
Non-current assets			
Investment property	4	**31,963,143**	32,800,000
Property, plant & equipment	5	**8,829,878**	7,583,663
Trade and other receivables	7	**-**	4,992,185
Total non-current assets		**40,793,021**	45,375,848
Current assets			
Inventory - development project	6	**1,751,750**	7,396,525
Trade and other receivables	7	**12,157,235**	2,232,694
Current tax asset		**619,121**	758,003
Cash and cash equivalents	8	**4,139,967**	4,814,957
Total current assets		**18,668,073**	15,202,179
Total assets		**59,461,094**	60,578,027

Statement of financial position - continued

	Notes	As at 31 December 2021 €	2020 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**9,079,000**	9,079,000
Revaluation reserve	9	**16,160,981**	16,160,981
Retained earnings		**5,428,082**	4,251,253
Total equity		**30,668,063**	29,491,234
Non-current liabilities			
Deferred tax liabilities	10	**940,000**	940,000
Other provisions	13	**1,521,000**	1,394,000
Borrowings	11	**-**	21,684,127
Total non-current liabilities		**2,461,000**	24,018,127
Current liabilities			
Borrowings	11	**21,019,284**	-
Trade and other payables	12	**5,312,747**	7,068,666
Total current liabilities		**26,332,031**	7,068,666
Total liabilities		**28,793,031**	31,086,793
Total equity and liabilities		**59,461,094**	60,578,027

The notes on pages 16 to 45 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2022. The financial statements were signed on behalf of the Board of Directors by Mr. Edmund Gatt Baldacchino (Chairman) and Mr. Edward Licari (Deputy Chairman) and as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of comprehensive income

		Year ended 31 December	
	Notes	**2021**	2020
		€	€
Revenue	14	**11,548,412**	12,765,735
Direct operating costs	15	**(7,288,880)**	(8,374,373)
Gross profit		**4,259,532**	4,391,362
Selling expenses	15	**(235,856)**	(478,109)
Administrative expenses	15	**(801,277)**	(751,751)
Other income		**66,912**	118,451
Operating profit		**3,289,311**	3,279,953
Finance income	17	**321**	4,323
Finance costs	17	**(1,637,123)**	(2,008,149)
Profit before tax		**1,652,509**	1,276,127
Tax expense	18	**(475,680)**	(128,089)
Profit for the year - total comprehensive income		**1,176,829**	1,148,038
Earnings per share	19	**0.13**	0.13

The notes on pages 16 to 45 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2020	9,079,000	16,160,981	3,103,215	28,343,196
Comprehensive income				
Profit for the year				
- total comprehensive income	-	-	1,148,038	1,148,038
Balance at 31 December 2020	9,079,000	16,160,981	4,251,253	29,491,234
Balance at 1 January 2021	9,079,000	16,160,981	4,251,253	29,491,234
Comprehensive income				
Profit for the year				
- total comprehensive income	-	-	1,176,829	1,176,829
Balance at 31 December 2021	**9,079,000**	**16,160,981**	**5,428,082**	**30,668,063**

The notes on pages 16 to 45 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2021 €	2020 €
Cash flows from operating activities			
Cash generated from operations	20	**2,859,805**	19,421,862
Income tax paid		**(336,798)**	(561,288)
Interest received	17	**321**	4,323
Interest paid	17	**(1,637,123)**	(2,008,149)
Net cash generated from operating activities		**886,205**	16,856,748
Cash flows from investing activities			
Purchases of property, plant & equipment	5	**(264,275)**	(21,381)
Additions to investment property	4	**(505,020)**	-
Net cash used in investing activities		**(769,295)**	(21,381)
Cash flows from financing activities			
Redemption of bonds	11	**-**	(14,711,300)
Bond buybacks	11	**(791,900)**	(5,035,900)
Net cash used in financing activities		**(791,900)**	(19,747,200)
Net movement in cash and cash equivalents		**(674,990)**	(2,911,833)
Cash and cash equivalents at beginning of year		**4,814,957**	7,726,790
Cash and cash equivalents at end of year	8	**4,139,967**	4,814,957

The notes on pages 16 to 45 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and comply with the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention, as modified by the fair valuation of investment property.

Commercial property is entirely classified as Investment Property and is valued on an annual basis by management using value in use calculations. Discounted cash flows are based on contractual rental streams, factoring an element of vacant properties, and discounting factors and capitalisation rates used in management's calculations are aligned with rates used in the industry, also factoring the realities of the current global COVID-19 pandemic and the Russian - Ukranian conflict. In line with the company's accounting policy to obtain an independent valuation every three years, during 2021 an independent architect was engaged to prepare an assessment of the value of the investment property as at 31 December 2021. Values determined through the independent valuation, subject to a reasonable range of values brought about by judgemental rates for vacant property into the future, are largely in line with the carrying values in the financial statements.

As at 31 December 2021, the company is in a net current liability position of €7.7 million (2020: net asset position of €8.1 million). The shift of the company's borrowings from non-current to current liabilities representing secured bonds due for repayment in 2022 has created a current liability position as at 31 December 2021. The Company's plan to redeem the bond in 2022 holds, and thus the current liability position is expected to normalise during 2022.

The company has prepared liquidity and profitability projections for the period 2022 to 2023 and also taking into cognisance the company's solid equity position of €30.7 million as at 31 December 2021, the directors have concluded that the company will be able to meet its commitments both financial and otherwise. On this basis, the directors have assessed that the company is expected to have the necessary funds to finance its operations and commitments towards employees, creditors, and bond holders. Accordingly, the board continues to adopt the going concern basis in preparing the company's financial statements.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2021

In 2021, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, not impacting the company's financial performance and position.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements that are mandatory for the company's accounting periods beginning after 1 January 2021. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board of directors, responsible for making strategic decisions. The board of directors considers the Company to be made up of one segment, that is raising financial resources from capital markets to finance the capital projects of the Company. All the Company's revenue and expenses are generated in Malta and revenue is mainly earned from the development of immovable property.

1.3 Foreign currency translation

Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). These financial statements are presented in euro, which is the Company's functional currency and presentation currency.

1.4 Investment property

Investment property, comprising commercial property including offices and shops, that is held for long term rental yields or for capital appreciation or both, and which is not occupied by the Company is classified as investment property. Investment property is measured initially at its cost, which principally comprises land and buildings including the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including:

(i) The costs incurred on development works, including site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security and permit compliance costs.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs, net of investment income from available-for-sale investments, attributable to the development phases of the project.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by the directors based on a valuation report prepared every three years by independent and qualified valuers. Investment property being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

1. Summary of significant accounting policies - continued

1.4 Investment property - continued

Changes in fair values are recorded in the profit or loss for the year and then transferred to "Revaluation reserve" through the statement of changes in equity. Gains or losses on disposal are determined by comparing proceeds with carrying amount and are included in surplus or deficit.

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost.

All property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, and capitalised borrowing costs.

Transfers are made from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete, and is suspended if the development of the asset is suspended.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives as follows:

	%
Buildings	2
Electrical & plumbing installations	4
Other plant & operational equipment	5-10
Computer hardware & software	25

Assets in the course of construction are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

1. Summary of significant accounting policies - continued

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Financial assets

The comparative information provided continues to be accounted for in accordance with the company's previous years accounting policy.

1.7.1 Classification

The company classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

1.7.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.2 Recognition and measurement - continued

Interest income on debt instruments measured at amortised cost from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

1.7.3 Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1. **Summary of significant accounting policies** - continued

1.7 Financial assets - continued

1.7.3 Impairment - continued

Simplified approach model

For trade receivables, the company applies the simplified approach required by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2021 or 1 January 2021, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the liability of the customers to settle the receivable. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

1.8 Inventory - development project

The main objective of the Company is the development of two plots of land known as ‘Block 16’ and ‘Block 17, Pendergardens Tower’. This development is intended in the main for resale purposes and is accordingly classified in the financial statements as inventory. Any elements of the project which are identified for business operation or long-term investment properties are transferred at their carrying amount to property, plant and equipment or investment property when such identification is made and the cost thereof can reliably be segregated.

The development is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including:

(i) The costs incurred on development works, including site clearance, excavation, construction, etc., together with the costs of ancillary activities such as site security and permit compliance costs.

(ii) The cost of various design and other studies conducted in connection with the project, together with all other expenses incurred in connection therewith.

(iii) Any borrowing costs, net of investment income from available-for-sale investments, attributable to the development phases of the project.

The purchase cost of acquiring the land represents the cash and debt equivalent value of the public deed.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

1. Summary of significant accounting policies - continued

1.9 Trade and other receivables

Trade receivables are amounts due from customers for units sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Details about the company's impairment policies and the calculation of loss allowance are provided in Note 1.7.

1.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.12 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities'). These financial liabilities are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.14 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

1.17 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of units and services in the ordinary course of the Company's activities. The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(b) Property related income

Property sales are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all the group's obligations relating to the property are completed and the possession of the property can be transferred in the manner stipulated by the contract of sale.

Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact the significant risks and rewards of ownership still rest with the Company, are treated as payments received in advance and are reported within current liabilities.

Rentals receivable charged to tenants of immovable property are recognised in the period when the property is occupied.

1. Summary of significant accounting policies - continued

1.17 Revenue recognition - continued

(c) Interest income

Interest income is recognised for all interest-bearing instruments using the effective interest method.

1.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.19 Contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), that is, the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. These assets are classified and disclosed as accrued income.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from clients or amounts invoiced and paid for goods or services not transferred yet, such as contracts payable in advance. These liabilities are classified and disclosed as advanced deposits or deferred income.

1. Summary of significant accounting policies - continued

1.20 Finance income and costs

Finance income and costs are recognised in profit or loss for all interest-bearing instruments on an accrual basis using the effective interest method.

1.21 Leases

(a) Company is the lessor

Assets leased out under operating leases are included in investment property in the statement of financial position and are accounted for in accordance with Note 1.4. Rental income is recognised as it on a straight-line basis over the life of the lease.

1.22 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

1.23 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing inventory are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of the Company's interest-bearing borrowings.

1.24 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding financial years. The board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company has no currency risk since all assets and liabilities are denominated in Euro.

(ii) Cash flow and fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its interest-bearing financial instruments.

Borrowings are subject to fixed interest rates and principally consist of Bonds (Note 11).

Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift at the reporting date to be quite contained.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk are analysed as follows:

	2021	2020
	€	€
Financial assets measured at amortised cost		
Trade and other receivables (Note 7)	**11,935,391**	6,528,355
Cash and cash equivalents (Note 8)	**4,139,967**	4,814,957
	16,075,358	11,343,312

The Company principally banks with local financial institutions of high-quality standing. At 31 December 2021, the Company held substantially its cash and cash equivalents of €4.1million (2020: €4.8 million) with two local banks.

The Company manages its credit risk exposure in relation to receivables actively and in a practicable manner. The Board considers these receivables to be fully performing.

The maximum exposure to credit risk at the reporting date in respect of the financial assets mentioned above is disclosed in the respective notes to the financial statements. The Company does not hold any collateral as security in this respect.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally borrowings and trade and other payables (Notes 11 and 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's financial obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows from the development and operation of the project. This includes reviewing the matching or otherwise of expected cash inflows and outflows arising from expected maturities of financial instruments in relation to the project. Based on these forecasts, management ensures that no financing facilities, additional to the existing Bonds and financing from the shareholders, are expected to be required in respect of the project. Liquidity risk is not deemed significant due to the timing of repayment of the company's bonds which fall due in 2022 and which the company plans to settle using cash balances, cash held at the trustee and through a bank facility which is already in place.

The Company's trade and other payables are principally repayable within one year from the end of the reporting period. Payments received on account under promise of sale agreements will be utilised upon delivery of the finished apartments.

The following table analyses the company's financial liabilities into relevant maturity groupings based on the remaining period as at 31 December 2021 to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Within one year €	One to five years €
31 December 2021				
Bonds	21,019,284	21,831,669	21,831,669	-
Trade and other payables	2,561,383	2,561,383	2,561,383	-
	23,580,667	**24,393,052**	**24,393,052**	-
31 December 2020				
Bonds	21,684,127	24,515,844	1,315,272	23,200,572
Trade and other payables	1,597,126	1,597,126	1,597,126	-
	23,281,253	26,112,970	2,912,398	23,300,572

The Company continues to assess its funding requirements to ensure that adequate funds are in place to meet its financial liabilities when they fall due.

2. Financial risk management - continued

2.2 Fair value estimation

At 31 December 2021 and 2020, the carrying amounts of cash at bank, receivables, payables, and accrued expenses approximated their fair values in view of the nature of the instruments or their short-term maturity.

The fair value of non-current borrowings is based on amortised cost representing proceeds received net of transaction costs incurred. The amortisation of transaction costs is calculated using the effective interest method.

2.3 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to comply with requirements of the Prospectus issued in relation to the bonds in issue. In order to maintain or adjust the capital structure, the Company may issue new shares, adjust the amount of dividends paid to shareholders, or sell assets to reduce debt.

In preparing these financial statements, the directors of the Company have made reference to the cash flow forecast of the Company covering the years 2022 to April 2023. During 2022, the company has completed the Pendergardens residential blocks, towers and parking, as well as the related common areas entirely. The company plans to redeem the bond maturing in 2022 using own funds and an element of bank financing which has been secured for this reason. The directors have thus ascertained that no further financing facilities are required to honour the repayment of the bond, and to continue honouring further liabilities as and when they fall due.

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements, taking cognisance of the level of gearing.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less available-for-sale investments and cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

	2021	2020
	€	€
Total borrowings (Bonds outstanding Note 11)	**21,019,284**	21,684,127
Less: Cash and cash equivalents (Note 8)	**(4,139,967)**	(4,814,957)
Less: Reserve account (Note 7)	**(11,782,142)**	(4,992,185)
Net debt	**5,097,175**	11,876,985
Total equity	**30,668,063**	29,491,234
Total capital	**35,765,238**	41,368,219
Gearing ratio	**14.25%**	28.71%

2. Financial risk management - continued

2.3 Capital risk management - continued

The Company manages the relationship between equity injections from shareholders and borrowings, being the constituent elements of capital, as reflected above with a view to managing the cost of capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements in relation to the different phases of the development project. In view of the nature of the Company's activities, the development stage of the distinct phase and the extent of borrowings or financing, the capital level as at the end of the reporting period is also deemed adequate by the directors.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Inventory valuation

The inventory - development project is carried at the lower of cost and net realisable value. The carrying amount of inventory in the statement of financial position represents the value of the of land, development and borrowing costs attributable to the various phases of the Pendergardens Development project which are held for sale as at 31 December 2021. Further disclosure is included in Note 6 to the financial statements.

Fair valuation of investment property

Commercial property is entirely classified as Investment Property and is valued on an annual basis by management using value in use calculations. Discounted cash flows are based on contractual rental streams, factoring an element of vacant properties, and discounting factors and capitalisation rates used in management's calculations are aligned with rates used in the industry, also factoring the realities of the current global COVID-19 pandemic and the Russian - Ukranian conflict. In line with the company's accounting policy to obtain an independent valuation every three years, during 2021 an independent architect was engaged to prepare an assessment of the value of the investment property as at 31 December 2021. Values determined through the independent valuation, subject to a reasonable range of values brought about by judgemental rates for vacant property into the future, are largely in line with the carrying values in the financial statements. The directors remain comfortable that the carrying value at 31 December 2021 continues to appropriately represent the fair value of the properties. Further disclosures on key assumptions in this regard are included in Note 4 to the financial statements.

Valuation of property, plant and equipment

The Company performs impairment assessment on an annual basis. Management determined the recoverable amount of the public car park based on the projected cash-flow model and sales comparative approach. Management has determined that the most appropriate method for valuing the car spaces in the public car park should be based on a sales comparative approach. The directors remain comfortable that the carrying value of property, plant and equipment at 31 December 2021 continues to appropriately represent the net realisable value as at that date. Further disclosures on key assumptions in this regard are included in Note 5 to the financial statements.

In the opinion of the directors, besides the above pronouncements, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1. The Directors also draw attention to the fact that there are no assumptions and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Investment property

	2021
	€
Transfer from inventory development project (Note 6)	**14,999,019**
Fair value movement	**17,800,981**
Additions during year	**505,020**
Transfers to property, plant & equipment (Note 5)	**(1,341,877)**
	31,963,143

In 2017, the Board of directors resolved to transfer the carrying amount of the five outlets in Block 16 commercial area from inventory - development project to investment property following the decision to hold such properties for lease to third parties.

As at 31 December 2018, the Board of directors resolved to transfer the carrying amount of all of the commercial property relating to block 17 and the Towers from inventory - development project to investment property following the decision to hold such properties for lease to third parties.

During 2021, an element of office space in the Towers started being occupied by the company and accordingly the property was transferred from investment property to property, plant and equipment (Note 5).

Fair valuation of investment property

Commercial property is entirely classified as Investment Property and is valued on an annual basis by management using value in use calculations. Discounted cash flows are based on contractual rental streams, factoring an element of vacant properties, and discounting factors and capitalisation rates used in management's calculations are aligned with rates used in the industry, also factoring the realities of the current global COVID-19 pandemic and the Russian - Ukrainian conflict. In line with the company's accounting policy to obtain an independent valuation every three years, during 2021 an independent architect was engaged to prepare an assessment of the value of the investment property as at 31 December 2021. Values determined through the independent valuation, subject to a reasonable range of values brought about by judgemental rates for vacant property into the future, are largely in line with the carrying values in the financial statements. The directors remain comfortable that the carrying value as at 31 December 2021 continues to appropriately represent the fair value of the properties.

Valuation reports are prepared every three years by independent and qualified valuers and revisited and assessed annually by the directors on the basis of the valuation report prepared every three years by the independent and qualified valuers.

4. Investment property - continued

Fair valuation of investment property - continued

The Company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (that is as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As detailed further above, the Company's investment property, includes five commercial outlets in Block 16, a further two outlets together with space originally earmarked for a wellness centre, which is currently being planned for alternative use, in Block 17, and levels 1 to 7 in Pendergardens Tower. The majority of these properties are subject to lease agreements with third parties.

Property fair value measurements at 31 December 2021 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the years ended 31 December 2021 and 31 December 2020.

A reconciliation from the opening balance to the closing balance for recurring fair value measurements categorised within Level 3 of the value hierarchy, is reflected in the table above.

Valuation processes

The valuations of the properties are performed annually by the directors based on valuation reports prepared every three years by independent and qualified valuers. These reports are based on both:

- information provided by the Company such as area per outlet in square meters, current rents and terms and conditions of lease agreements. This information is derived from the Company's financial and property management systems and is subject to the Company's overall control environment; and
- assumptions and valuation models used by the valuers; with assumptions being typically discounted cash flows based on contractual rental streams, factoring an element of vacant properties, and discounting factors and capitalisation rates.

The information provided to the valuers, together with the underlying assumptions and valuation models used by the valuers, are reviewed by executive management, which are then presented to the Audit Committee. This includes review of the fair value movements over the period.

When the Audit Committee considers that the valuation report is appropriate, the valuation report is recommended to the Board of Directors. The Board then considers the valuation report as part of its overall responsibilities.

4. Investment property - continued

Valuation techniques

The valuation was performed using the guidelines of the UK Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual.

Given the specific nature of these assets, the valuations of property have been performed by reference to valuation models. In 2021, the valuation was determined using discounted cash flows based on contractual rental streams, factoring an element of vacant properties, and discounting factors and capitalisation rates aligned with rates used in the industry. The significant unobservable inputs utilised with this technique include:

Projected pre-tax cash flows which are initially mainly based on the existing rental income streams less operating costs that reflect the existing cost structure. Following the lapse of the 'di fermo' period underlying the existing lease agreements, rental income streams are projected in line with observable market rates as at the date of the valuation. Going forward, rental streams are adjusted using an average growth rate of 2% per annum.

Discount rates based on current market interest rates and a risk premium that reflects the valuers' assessment to specific risk attached to the property being valued and its underlying activity.

Information about fair value measurements using significant unobservable inputs (level 3):

Description	Fair value €	Valuation technique	Value/Metric
At 31 December 2021			
Commercial buildings	€31,963,143	Discounted cash flow method	Capitalisation rate 7.5%
At 31 December 2020			
Commercial buildings	€32,800,000	Open market values	€2,300 to €5,600 per square meter

In respect of the discounted cashflow approach, the higher the annualized net cash inflows, and growth rate, the higher the fair value. Conversely, the lower the discount rate and capitalisation rate used in calculating the annualized net cash inflows, the higher the fair value.

Value per square meter has been determined to be the significant unobservable input. For each valuation, the higher the value per square meter, the higher the fair value. Conversely, the lower the value per square meter, the higher the fair value.

Valuation change in management estimates and assumptions

During the year the company changed the estimates and assumptions used in determining the fair value of its level 3 investment property for which the fair value was previously determined based on open market values. Management considered the value per square meter to be appropriate in the prior periods based on factors that existed at that time. In 2021 management has considered additional factors which include discounted cash flows based on contractual rental streams, factoring an element of vacant properties, and discounting factors and capitalisation rates aligned with rates used in the industry to be more appropriate going forward. The change in method of assessing fair values did not result in any impact to the fair value of investment property.

5. Property, plant and equipment

	Land €	Buildings €	Public car park €	Furniture and fittings €	Plant and equipment €	Computer hardware €	Total €
At 31 December 2019							
Cost or valuation	-	-	10,505,160	4,042	26,149	25,450	10,560,801
Accumulated depreciation and impairment charges	-	-	(2,674,187)	(1,010)	(2,615)	(6,363)	(2,684,175)
Net book amount	-	-	7,830,973	3,032	23,534	19,087	7,876,626
Year ended 31 December 2020							
Opening net book amount	-	-	7,830,973	3,032	23,534	19,087	7,876,626
Additions		-	-	479	16,652	4,250	21,381
Depreciation charge	-	-	(301,629)	(1,010)	(4,280)	(7,425)	(314,344)
Closing net book amount	-	-	7,529,344	2,501	35,906	15,912	7,583,663
At 31 December 2020							
Cost or valuation	-	-	10,505,160	4,521	42,801	29,700	10,582,182
Accumulated depreciation and impairment charges	-	-	(2,975,816)	(2,020)	(6,895)	(13,788)	(2,998,519)
Net book amount	-	-	7,529,344	2,501	35,906	15,912	7,583,663

5. Property, plant and equipment - continued

	Land €	Buildings €	Public car park €	Furniture and fittings €	Plant and equipment €	Computer hardware €	Total €
Year ended 31 December 2021							
Opening net book amount	-	-	7,529,344	2,501	35,906	15,912	7,583,663
Additions	-	-	-	69,602	176,359	18,314	264,275
Transferred from Investment property	247,050	1,094,827	-	-	-	-	1,341,877
Depreciation charge	-	(21,897)	(301,629)	(8,906)	(21,916)	(5,589)	(359,937)
Closing net book amount	**247,050**	**1,072,930**	**7,227,715**	**63,197**	**190,349**	**28,637**	**8,829,878**
At 31 December 2021							
Cost or valuation	247,050	1,094,827	10,505,160	74,123	219,160	48,014	12,188,334
Accumulated depreciation and impairment charges	-	(21,897)	(3,277,445)	(10,926)	(28,811)	(19,377)	(3,358,456)
Net book amount	**247,050**	**1,072,930**	**7,227,715**	**63,197**	**190,349**	**28,637**	**8,829,878**

5. Property, plant and equipment - continued

During 2021, an element of office space in the Towers started being occupied by the company and accordingly the property was transferred from investment property to property, plant and equipment using the deemed cost method in line with the company's accounting policy.

The charge for depreciation and impairment charges as disclosed in Note 15 are included in the statement of comprehensive income as follows:

	2021 €	2020 €
Cost of sales	**301,629**	301,629
Administrative expenses	**58,308**	12,715
	359,937	314,344

6. Inventory - development project

	2021 €	2020 €
Purchase cost of land and related development costs	**13,968,429**	13,968,429
Cost of design works and other studies, excavation, construction works, including borrowing costs	**59,860,314**	58,631,217
Non-recoverable value added tax	**5,097,411**	5,549,708
Cost of sale of apartments and car spaces	**(53,140,225)**	(46,718,650)
Transfer to property, plant and equipment	**(9,035,160)**	(9,035,160)
Transfer to investment property (Note 4)	**(14,999,019)**	(14,999,019)
	1,751,750	7,396,525

7. Trade and other receivables

	2021 €	2020 €
Non-current		
Reserve account	**-**	4,992,185
	-	4,992,185
Current		
Amounts owed by immediate parent company	**-**	392,100
Advance payments to fellow subsidiary	**-**	527,962
Commissioner of value added tax	**56,865**	62,001
Reserve account	**11,782,142**	-
Other receivables	**96,384**	554,107
Prepayments and accrued income	**221,844**	696,524
	12,157,235	2,232,694
Total trade and other receivables	**12,157,235**	7,224,879

7. Trade and other receivables - continued

Amounts owed by ultimate and immediate parent companies and the fellow subsidiary, the latter being the main contractor of the development project, are unsecured, interest-free and repayable on demand.

The company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in Note 2.

8. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2021	2020
	€	€
Cash at bank and in hand	**4,139,967**	4,814,957

Cash and cash equivalents earn interest as follows:

	2021	2020
	€	€
At fixed rates	**-**	39,809

9. Equity

9.1 Share capital

	2021	2020
	€	€
Authorised:		
9,100,000 ordinary shares of €1.00 each	**9,100,000**	9,100,000
Issued and fully paid up:		
9,079,000 ordinary shares of €1.00 each	**9,079,000**	9,079,000

9.2 Revaluation reserve

	2021	2020
	€	€
At 1 January and 31 December	**16,160,981**	16,160,981

The balances as at 31 December 2021 and 31 December 2020 represent the difference between the fair value of the investment property, net of deferred tax and the historical cost. Such amount has been transferred from retained earnings to other reserve and in the opinion of the directors is non-distributable.

10. Deferred tax liabilities

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2020: 35%), except for deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 5% of the transfer value.

The taxation rules on capital gains arising on transfer of immovable as per article 27G of the Income Tax Act stipulate that provisional tax of 8% is applicable on the transfer value of immovable property acquired after 1 January 2014 which rate applies to the Company. Article 27G further presents calculations of an amount that is available for set-off against the said provisional tax, which would result in an effective tax rate of 5% on the transfer value of immovable property to the Company.

The balance at 31 December represents temporary differences on or attributable to:

	2021	2020
	€	€
Fair valuation of investment property	**1,640,000**	1,640,000
Impairment of property, plant and equipment	**(700,000)**	(700,000)
At 31 December	**940,000**	940,000

The recognised deferred tax liabilities are expected to be settled principally after more than twelve months.

At 31 December 2021 and 2020, the company had unutilised tax credits and temporary differences which were not recognized in these financial statements as follows:

	2021	2020
	€	€
Unutilised tax credits arising from:		
unabsorbed tax losses	**137,064**	228,194
unabsorbed capital allowances	**810,241**	682,542
Temporary differences arising on:		
tangible assets	**1,935,258**	2,086,357
intra-group transactions	**-**	65,502
	2,882,563	3,062,595

11. Borrowings

	2021	2020
	€	€
Non-current		
6.0% Secured Bonds 2022	**-**	21,684,127
Current		
6.0% Secured Bonds 2022	**21,019,284**	-
Total borrowings	**21,019,284**	21,684,127

The interest rate exposure of the company's borrowings is as follows:

	2021	2020
At a fixed rate		
6.0% Secured Bonds 2022	**6.0%**	6.0%

Bonds in issue by the company as at 31 December 2021

Date of issue	Type of instrument	Principal amount	Redemption date
5 June 2014	Secured bonds	€21,093,400	2022

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective yield method as follows:

	2021	2020
	€	€
Bonds outstanding		
Proceeds	**27,000,000**	42,000,000
Redemption	**-**	(15,000,000)
Buy backs of own bonds	**(5,906,600)**	(5,114,700)
	21,093,400	21,885,300
Gross amount of bond issue costs	**744,509**	744,509
Bond issue costs amortised	**(670,393)**	(543,336)
	74,116	201,173
Amortised cost and carrying amount	**21,019,284**	21,684,127

In May 2014, the company issued a dual series bond of €42 million (Series I: €15 million 5.5% Secured Bonds 2020; Series II: €27 million 6% Secured Bonds 2022). Holders of the €12 million 2013 Bonds converted €9,985,000 from the said Bond into the Series II Bond. The remaining €2,015,000 worth of 2013 bonds were redeemed in January 2015 being the earliest redemption date of the said bonds. The 2014 Bonds are listed on the Malta Stock Exchange. Interest on the notes is due and payable annually in arrears on 31 May (Series I) and on 31 July (Series II) of each year. The net proceeds are being used for the development of Block 16, Pendergardens Tower and Block 17. In 2020, the Series I €15 million 5.5% Secured Bonds 2020 were redeemed.

11. Borrowings - continued

During 2018, the company repurchased, and subsequently cancelled €78,800 of the 6% Secured Bonds 2022 which was fully financed from the company's own funds. During 2020, the company repurchased, and subsequently cancelled €5,035,900 of the 6% Secured Bonds 2022 which was fully financed from the company's own funds. A further €783,700 worth of the 6% Secured Bonds 2022 were repurchased during 2021.

The quoted market prices as at 31 December for the listed bonds, and their respective dates of admittance on the Official List of the Malta Stock Exchange are listed below:

	Official listing date	**Quoted market prices**	
		2021	2020
		€	€
6.0% secured bonds 2022	5 June 2014	**100.75**	103.1

In the opinion of the directors, these market prices fairly represent the fair value of the respective financial liabilities.

The company is required to build a reserve fund the value of which will by the redemption dates of each Bond be equivalent to 100% of the outstanding value of the 2014 Bonds. The transfers to the reserve fund are based on a fixed percentage of net sales proceeds received upon the signing of sales contracts.

Transfers to the reserve account are being made as follows:

(i) The first €25 million of net sales proceeds will be retained by the company for the specific purpose of meeting construction costs with respect to Block 17 and Pendergardens Tower;
(ii) The following €25 million of net sales proceeds will be allocated as to 90% to the Security Trustee and 10% to the company;
(iii) Any further sales over and above the initial €50million will be allocated as to 95% to the Security Trustee and 5% to the company.

Transfers to the reserve account have commenced from the year ended 31 December 2017.

The 2014 bonds are secured by:

(i) First-ranking general hypothec over all the Company's assets present and future for the amount of €42 million (2020: €42 million), interest thereon and any other amounts due under the Bonds.

(ii) First-ranking special hypothec over the Hypothecated Property for the amount of €42 million (2020: €42 million), interest thereon and any other amounts due under the Bonds.

	2021	2020
	€	€
Net debt reconciliation		
Borrowings repayable within 1 year	**(21,019,284)**	-
Borrowings repayable after more than one year	**-**	(21,684,127)
Cash and cash equivalents (Note 8)	**4,139,967**	4,814,957
Reserve account (Note 7)	**11,782,142**	4,992,185
Net debt	**(5,097,175)**	(11,876,985)

11. Borrowings - continued

	2021	2020
	€	€
Borrowings as at 1 January	**21,684,127**	41,339,307
Cash flows – redemption of bonds	**-**	(14,711,300)
Cash flows – buy backs	**(791,900)**	(5,035,900)
Amortisation of bond issue costs	**127,057**	92,020
Borrowings as at 31 December	**21,019,284**	21,684,127

This note provides information about the contractual terms of the company's borrowings. For more information about the company's exposure to interest rate and liquidity risks, refer to Note 2.

In 2021 the Company successfully negotiated a facility with a local bank in anticipation of the bond repayment on 31 July 2022. The Company's banking facility as at 31 December 2021 amounted to €6.3m (2020: Nil). The bank loan is secured by the Company's present and future assets.

12. Trade and other payables

	2021	2020
	€	€
Current		
Trade payables	**111,932**	111,840
Amounts owed to fellow subsidiary	**19,287**	139,686
Amount owed to parent company	**89,972**	-
Deposits on promise of sale agreements	**2,125,330**	1,215,375
Other payables	**214,862**	130,225
Accruals and deferred income	**2,751,364**	5,471,540
Total trade and other payables	**5,312,747**	7,068,666

Amounts owed to fellow subsidiary and parent company are unsecured, interest free and are repayable on demand.

The company's exposure to currency and liquidity risks related to trade and other payables is disclosed in Note 2.

13. Other provisions

	2021	2020
	€	€
At beginning of year	**1,394,000**	-
Provisions for the year	**127,000**	1,394,000
At end of year	**1,521,000**	1,394,000

The amount shown above comprises a gross provision in respect of Value Added Tax. The provision is based on a directors' estimate and has been recognised in the financial statements in line with the requirements of IAS 37 'Provisions, contingent liabilities and contingent assets'.

14. Revenue

Revenue represents the total consideration received for the sale of apartments and car spaces of €9,945,627 (2020: €11,305,536) which is based on final deeds signed during the year. Revenue also includes rental income of €1,348,400 (2020: €1,290,745) and car park revenues of €254,385 (2020: €169,454).

15. Expenses by nature

	2021	2020
	€	€
Cost of sales apartments	**6,813,709**	7,823,973
Public car park and tower business operating costs	**475,171**	550,400
Estate agent commissions	**234,620**	472,548
Wages and salaries recharged from parent company	**374,333**	413,599
Directors' remuneration	**52,000**	52,000
Professional fees	**98,810**	76,583
Legal fees	**58,219**	55,974
Annual listing fees	**13,249**	26,504
Advertising expenses	**1,236**	5,561
Other general expenses	**204,666**	127,091
Total cost of sales, selling and administrative expenses	**8,326,013**	9,604,233

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2021 and 2020 relate to the following:

	2021	2020
	€	€
Annual statutory audit	**11,740**	11,740
Tax compliance and related services	**440**	350
	12,180	12,090

16. Directors' remuneration

	2021	2020
	€	€
Fees and other emoluments	**52,000**	52,000

Directors' remuneration is paid to the company's non-executive directors.

17. Net finance costs

	2021 €	2020 €
Interest received	**321**	4,323
Finance income	**321**	4,323
Bank charges	**(62,072)**	(5,003)
Interest payable	**(1,426,173)**	(1,979,348)
Amortisation on bond premium upon buy backs	**(148,878)**	(23,798)
Finance costs	**(1,637,123)**	(2,008,149)
Net finance costs	**(1,636,802)**	(2,003,826)

18. Tax expense

	2021 €	2020 €
Current tax expense:		
on sale of immovable property	**475,680**	553,544
over provision in prior year	**-**	(425,455)
	475,680	128,089

The tax on the company's results differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021 €	2020 €
Profit before tax	**1,652,509**	1,276,127
Tax on profit at 35%	**578,378**	446,644
Expenses not deductible for tax purposes	**65,797**	3,872
Interest and property tax at source with a final rate	**10,422**	288,364
Unrecognised deferred tax movement	**(178,917)**	64,310
Over provision of unrecognised deferred tax in prior year	**-**	(249,646)
Over provision of current tax in prior year	**-**	(425,455)
Tax charge in the accounts	**475,680**	128,089

19. Earnings per share

Earnings per share is calculated by dividing the result attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
	€	€
Profit for the year	**1,176,829**	1,148,038
Weighted average shares in issue	**9,079,000**	9,079,000
Earnings per share	**0.13**	0.13

The company has not issued any dilutive instruments in the past, and therefore the basic and diluted earnings per share are equal.

20. Cash generated from operations

Reconciliation of profit for the year to cash generated from operations:

	2021	2020
	€	€
Operating profit	**3,289,311**	3,279,953
Adjustments for:		
Depreciation of property, plant and equipment	**359,937**	314,344
Amortisation of bond issue costs	**127,057**	92,020
Changes in working capital:		
Trade and other receivables	**(5,852,418)**	11,667,702
Trade and other payables	**(1,598,492)**	(3,514,984)
Inventory - development project	**5,644,775**	5,186,801
Related party balances	**889,635**	2,396,026
Cash generated from operations	**2,859,805**	19,421,862

There were no non-cash transactions during the reporting period.

21. Commitments

21.1 Capital commitments

The Company has entered into capital commitments with various contractors for the finishing of Pendergardens Tower. Outstanding contractual commitments as at year-end amounted to €195,000 (2020: €485,000). Further amounts relating to the contracted project have been capitalised during 2021 within Inventory - development project (Note 6).

As at 31 December 2021, there is an amount of €200,000 of capital commitments which are authorised but not yet contracted.

21. Commitments - continued

21.2 Lease commitments where the company is the lessor

The future minimum lease payments receivable under non-cancellable leases are as follows:

	2021	2020
	€	€
Not later than 1 year	**1,710,415**	1,439,267
Later than 1 year and not later than 5 years	**6,595,542**	7,027,018
Over 5 years	**1,621,945**	1,614,690
	9,927,902	10,080,975

22. Related party transactions

The company is owned by Pender Ville Limited and Pender Contracting Limited who are in turn ultimately owned and jointly controlled by United Group Limited, Silverline Investments Limited, Serland Limited, Hal Mann Two Six Limited, Kreativ Developments Limited and MICJON Company Limited. These entities and all the subsidiaries of the Pender Group are considered by the directors to be related parties.

In the ordinary course of its operations, the company purchases goods and services from companies forming part of the Pender Group. Remuneration paid to the non-executive Directors of the company during the current period are disclosed in Note 16 to the financial statements. There were no loans advanced to the Directors during the current period.

Except for transactions disclosed or referred to previously, the following significant operating transactions, which were carried out principally with related parties, have a material effect on the operating results and financial position of the company:

	2021	2020
	€	€
Purchases of goods and services		
- Purchase of construction services from fellow subsidiary	**3,360,305**	1,999,204
- Payroll recharged from ultimate parent	**393,323**	413,599

Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 7 and 12 to these financial statements. Bonds of the Company held by directors at 31 December 2021 amounted to €400,000 (2020: €412,000).

23. Statutory information

Pendergardens Developments p.l.c. is a limited liability company and is incorporated in Malta.

The company's ultimate parent is Pender Ville Limited, a company registered in Malta, with its registered address at Pendergardens Business Centre, 14, Level 1, Pendergardens, St. Andrew's Road, St. Julians, STJ 9023, Malta.

The financial statements of the company are included in the consolidated financial statements prepared by Pender Ville Limited.

24. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.